



County of Culpeper
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April 6, 2010

The Honorable Members of the Board of Supervisors
County of Culpeper
302 North Main Street
Culpeper, VA 22701

Dear Members of the Board:

I am pleased to submit the attached proposed 2010-2011 Annual Fiscal Plan for the County of Culpeper. Included are my recommendations for Schools and General Government.

This budget represents the culmination of a great deal of effort on the part of our staff and was assembled with input from our County Agencies. We believe the format of this budget document serves the information needs of our citizens by providing complete and accurate information about our budget.

Challenges for FY11 Budget

- ◆ As you may recall we began with the preparation of the FY06 budget, a process called "zero-based" budgets, whereby departments and Constitutional Officers are asked to zero out and justify all individual line items in their budget to verify real needs. We continue to use that process, however, for the FY11 budget, during this continued economic downturn, all departments are faced with budget reductions. In FY08, shortfalls in anticipated revenues from growth and significant revenue shortfalls from the state created a need to freeze positions and eliminate them from the FY09 budget. For FY10, the frozen positions from FY09 continued, and all departments were asked to make further spending reductions in order to keep the budget as flat as possible from FY09. The Building Officials department was downsized from 14 full time employees to 3 full time employees and 4 part time employees. An Early Retirement Incentive Plan was introduced and

4 employees participated in that program. With the retirement of those employees, currently no new full time employees have been hired to fill those positions.

- ◆ The County will always strive to maintain a reasonable tax structure by effectively and responsibly balancing the increasing demands for services with available resources to achieve maximum value for Culpeper County residents.
- ◆ While working in an environment of economic down turn, the County has worked to avoid raising taxes and also to remain cognizant of its own fund balance policy to maintain between 10 and 15% of its operating budget within the General Fund. This budget requires use of some fund balance, while adhering to the fund balance policy.
- ◆ The FY11 budget continues with no pay increases for employees. The Risk Management Department is eliminated in this budget. This is a very serious reduction in view of the many pitfalls which lie ahead. The Parks and Recreation Department has been reduced by 50%. This will cause us to have a maintenance effort only, going forward. Reductions in Animal Services will see 4 employees being reduced from full to part time, and the Library will see a reduction of 12 part time employees.

TAX RATES AND FEES

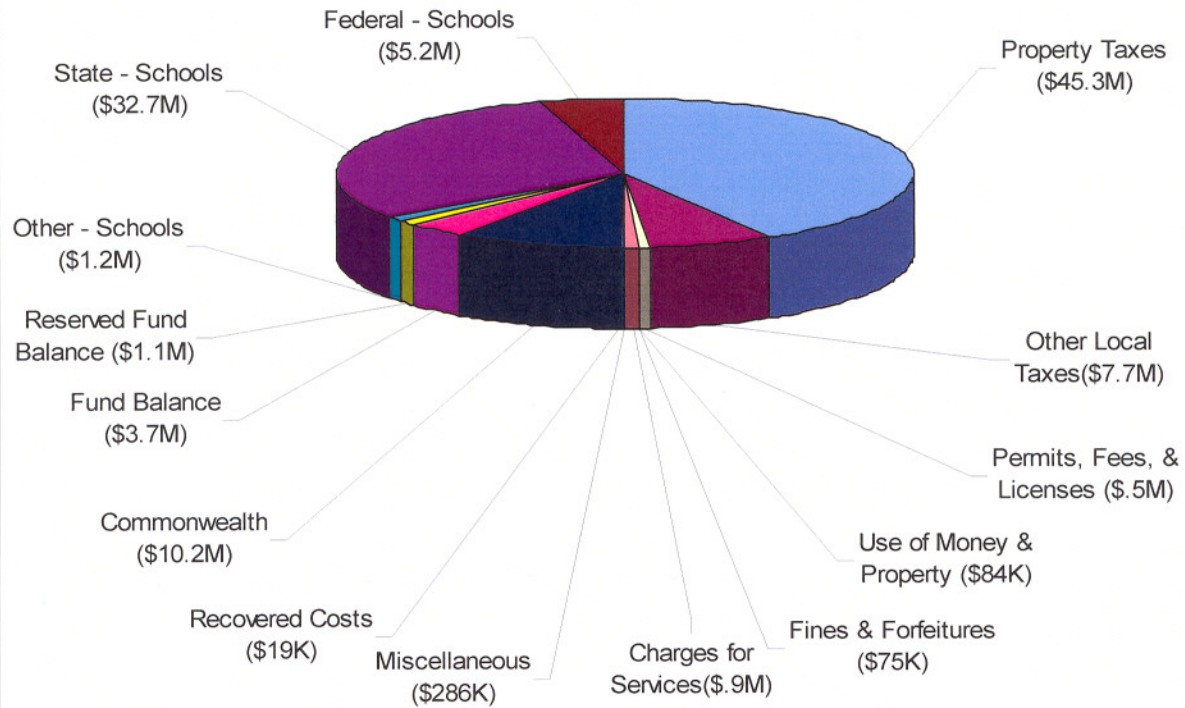
This proposed budget maintains the current real estate tax rate \$0.61 per \$100 of assessed value and the fire/rescue tax implemented in FY05 at \$.04 per \$100 of assessed value for real estate.

This year's budget submission maintains the current personal property tax rate of \$2.50 per \$100 of assessed value for recreational personal property; \$3.50 per \$100 of assessed value for all other personal property, except for the classification of airplanes which rate is maintained at \$.63 per \$100 of assessed value.

TOTAL REVENUES

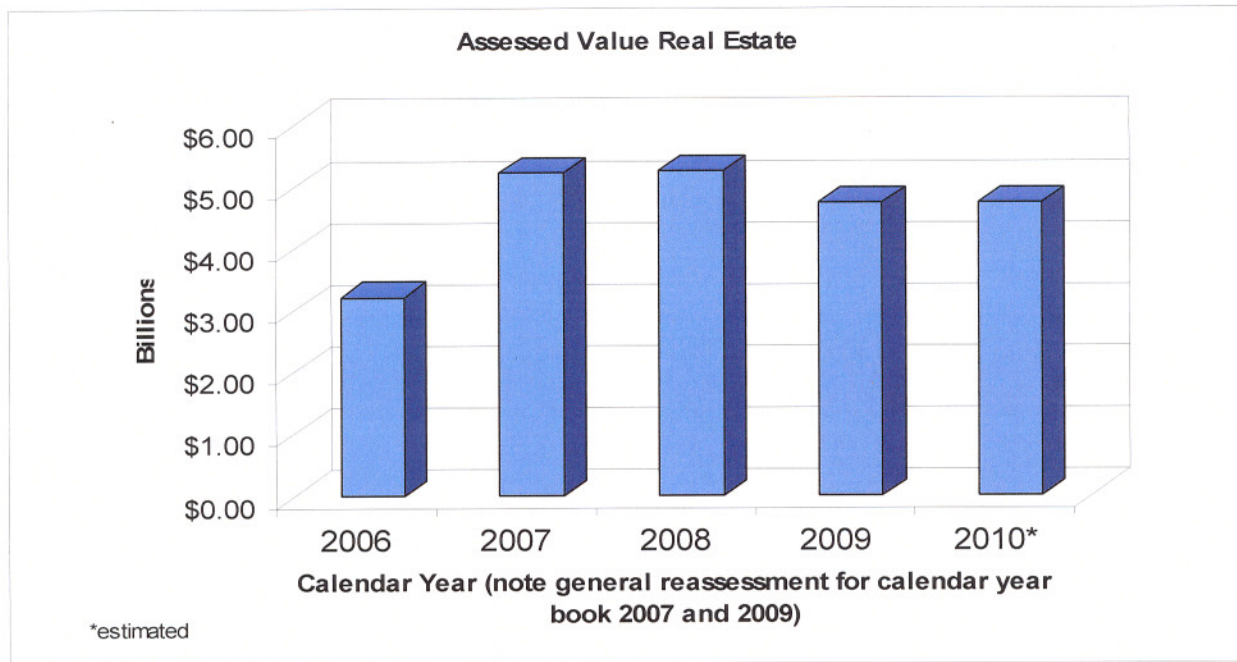
The fiscal year 2011 total revenues are shown below. Major sources include property tax, sales tax, utility tax and funds from the Commonwealth of Virginia.

FY11 Proposed General Fund and School Fund Revenues

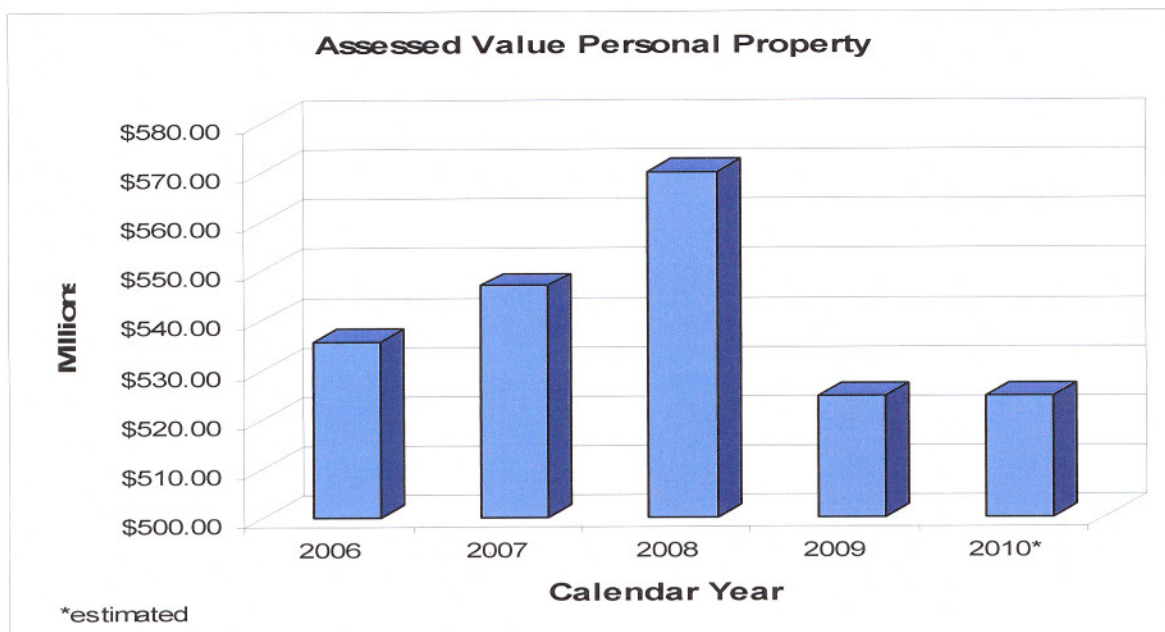


The following table reflects budgeted and projected growth rates for the major revenues.

Major Revenue Sources	FY10 Projected Growth Rates	FY11 Projected Growth Rates
Property Tax	(0.21%)	(7.30%)
Sales Tax	(3.21%)	(7.63%)
Commonwealth of Virginia	21.56%	52.81%



Real property taxes are shown in the property tax section in the graph above, and will constitute 45.3 percent of the County's revenues for fiscal year 2011. The overall value of real property in the County (excluding public service corporations) decreased from \$5.28 billion to \$4.76 billion as of January 1, 2009. For calendar year 2009, a 10 percent reduction in total growth was realized due to the reassessment. The budget was adopted by the Board of Supervisors passing on a tax reduction to the citizens of Culpeper County. A tax rate of \$.65 per \$100 of assessed value was approved which reduced the total real estate tax rate from the equalized rate of \$.69 per \$100 of assessed value for fiscal year 2009-2010. For fiscal year 2010-2011, the real estate rate is anticipated to remain stable at \$.65.



Personal property tax is levied on the tangible property of individuals and businesses. For individuals, this is primarily associated with automobiles. For businesses, examples include motor vehicles, machines, fixtures and tools.

In calendar year 2007, the assessed value of personal property in the County totaled \$546.88 million. This increased 4.24% percent to \$570.05 million in calendar year 2008. In calendar year 2008, personal property vehicles made up 58 percent of the total personal property value; the remainder was business tangible property, recreational personal property, and machinery and tools, comprising 42 percent.

During calendar year 2009, the County experienced NADA values declining by approximately 16.58% for vehicles. Other categories of personal property experienced NADA values decline from 5.96% to 16.93%. The overall assessed value of personal property declined by 7.96% in 2009.

The fiscal year 2011 estimate of this revenue is based on a stable value of assessed property and maintaining the current tax rate of \$2.50 per \$100 of assessed value for recreational personal property; \$3.50 per \$100 of assessed value for all classes of personal property; and \$.63 per \$100 of assessed value for airplanes. The revenue generated from the personal property tax increase in FY07 was, and will continue to be used to offset additional debt for the new high school in fiscal year 2011 and future years.

Local Sales Tax - This revenue is projected to decrease by 7.63 percent due to a decrease in retail sales. The amount of retail sales continues to decrease as the economy has slowed.

Commonwealth of Virginia – The Commonwealth of Virginia also continues to experience the same repercussions of the recession. As the General Assembly struggled to adopt a state budget, they continued to pass on cuts to localities. The largest segment of state revenue reductions is coming from the State Compensation Board for reductions to the Constitutional Officers and the continuation of the Reduction in Aid to Localities into the next biennium.

However, this budget does appear to have increased in revenue from the Commonwealth. While there is no real increase in funding, there is simply an accounting change for the recordation of the Personal Property Tax Relief funds received from the Commonwealth. In the past, those dollars were budgeted under the category of Personal Property tax, because it is a subsidy from the Commonwealth for the citizens Personal Property tax bills. But, for audit purposes those funds have historically been recorded as revenue from the Commonwealth, thereby showing a discrepancy in both the Personal Property Tax revenues collected, as under collected, and the revenue from the Commonwealth as over collected.

SPECIAL REVENUE FUNDS

Piedmont Tech Fund – For fiscal year 2011, the budget includes funding of \$49,800 for the maintenance of these buildings. This fund has projected revenues totaling \$3,051 from charges for rent. The County's General Fund will contribute \$46,749.

Human Services Fund - The revenues total \$9,856,429 and are primarily State and federal aid to Social Services programs with matching funds of \$1,288,636 from the County. In addition to the operations of the Social Services Department, this fund also accounts for the operations of the Day Care center, as well as various grants.

E911 Fund - This fund will have projected E911 tax revenues totaling \$1,008,110. Also, the County's General Fund contributes \$751,180, the Town of Culpeper contributes \$242,728 and the Commonwealth of Virginia contributes \$132,694 for total revenue of \$2,134,712.

ENTERPRISE FUNDS

Airport Fund - These revenues are estimated at \$812,748. This is based primarily on the rental of hangars, sale of aviation fuel and maintenance grants from the Virginia Department of Aviation. Due to the implementation of GASB 34, the airport fund is now considered an enterprise fund instead of a special revenue fund. Further, because of GASB 34, capital improvement projects related to the airport are now budgeted within the airport fund as opposed to the county CIP fund. The only project for fiscal year 2011 is environmental assessment. A federal grant will reimburse a substantial amount of the cost related to this project. The remainder will be paid for by airport revenues and a state grant. Therefore an estimate of \$380,000 from the federal government has been budgeted; \$12,000 from the Commonwealth of Virginia has been budgeted, and the County's General Fund will contribute funding in the amount of \$201,475 for operations and the County's share of capital needs at the airport. Local funds needed for capital are in the amount of \$8,000, while salaries, fringe benefits and other operations total approximately \$193,000. Personal property taxes on airplanes are collected and maintained in the General Fund. These amount to \$37,498 and are a portion of the \$201,475 local funds.

Landfill Fund –Fees collected are expected to decrease from \$1,070,000 to \$648,855. The county has continued to see a decrease in activity at the transfer station due to a slow down in construction, but also because of a locally owned private transfer station opening. Therefore projected revenues are lower in fiscal year 2011. The utility tax collected and transferred from the General Fund will be \$1,053,569, bringing the total revenue to \$1,702,424. As stated above in the airport fund, due to GASB 34, all capital improvement projects related to the landfill are now budgeted within the landfill fund as opposed to the County CIP fund. For fiscal year 2011, there are no capital projects planned.

Water and Sewer Fund - This fund is operated as an enterprise operation, which means that the costs of providing services are recovered from those who use the services. Anticipated revenues are expected to be \$303,695 from user fees collected from sale of water and sewer. \$565,784 is expected to come from Centex for the Clevenger's Village system as offset to operating losses until the system can maintain itself. The balance of the revenue would be transferred from the General Fund to offset operating costs not covered by fees of \$354,362, bring the total revenue for the Water and Sewer Fund to \$1,223,841. Capital costs in the Water and Sewer Fund are for the purchase of an Automated Meter Reading System.

COMPONENT UNIT SCHOOL FUNDS

State Revenues will provide \$32,733,486 or 48 percent of the school funds for the fiscal year 2011 budget. These revenues are divided into three categories:

Sales tax – Includes revenue from a 1 percent portion of the State sales tax returned to localities, designated for public school education. This component of State sales tax is distributed on the basis of a locality's school age population. The fiscal year 2011 estimated amount of sales tax is \$6,445,452.

Standards of Quality Funds – These are distributed based upon an "equalized" formula that takes into account a locality's ability to pay. This "composite index" is applied to various revenue accounts to ensure an equitable distribution of State funds to all school districts. The State assumes a 50/50 sharing of the costs to fund the Standards of Quality (SOQ). Culpeper's Composite Index is .4167. The State provides 58.33 percent of the estimated SOQ costs with Culpeper County providing 41.67 percent. For each SOQ item, the State has established a per pupil cost for each locality based upon the school district's cost experience and the State's established staffing for the specific initiative. State revenue from the item is established by multiplying the number of students in average daily membership by the per pupil amount, then by the composite index.

State Categorical Funds – This funding stream is offered as an offset to specific services provided by the local school district. Funds are provided in direct relation to the cost and level of services provided. The projected other state revenues total \$28,288,034.

Federal Revenue -- Amounts in this section of the revenue budget represent the Federal offset of certain specific programs. Some of these programs require a local funding match, while other programs are fully funded (self-sustaining). Most of the self-sustaining programs are mandated or grant initiatives. It is expected that at the end of the year these programs will be cost/revenue neutral. Federal funds will provide \$5,176,899 of the school's estimated revenue. Included in that amount, for FY11 the school system will be receiving \$1,295,528, or 1.91% of the total budget, from the American Reinvestment & Recovery Act Stimulus Funds, flowing through the Commonwealth of Virginia to the School System.

Other Revenue – Revenue in this section is derived from non-government sources. For the most part these funds represent fees for services and specific cost recoveries. Other Revenues will provide \$1,206,500 of the school's budget.

Local Revenue – Includes local funds for regular school operation, including the local share of the State Standards of Quality. Additional local funds are appropriated for debt service and textbook funds. Local revenues will provide \$28,681,344 or 42 percent of the school budget.

Food Service - The food service program is funded by fees charged for meals eaten in the cafeteria, and from State and Federal sources. The revenues are projected at \$3,295,993, an increase of \$155,000 over fiscal year 2010.

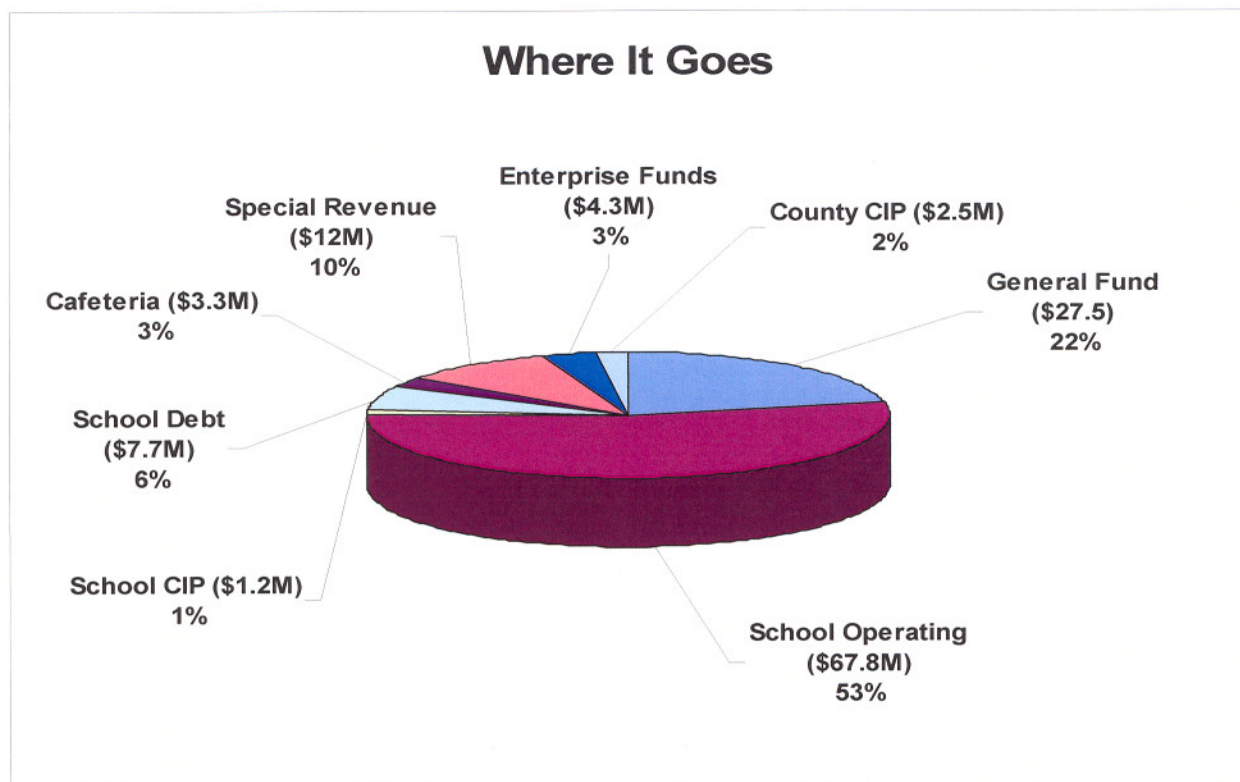
TOTAL EXPENDITURES

The proposed fiscal year 2011 Budget is \$126,427,899 including \$80 million for School expenditures and \$46.4 million for all other operations. This represents a decrease of \$479,000 or .38 percent decrease from the fiscal year 2010 budget. The slight decrease is due primarily because of no CIP projects in the FY2010 budget, but \$3.7M of projects added for the FY2011 budget.

The County's budget is financed through various types of funds for its operations. Outlined below is a summary of these major expenditure areas:

Major Expenditure Category	FY2011 Annual Budget	Change from FY2010
General Government	\$27,542,412	(\$1,216,531)
School Operations	\$78,812,058	(\$2,804,089)
Special Revenue	\$12,040,941	\$41,390
Enterprise Fund	\$4,332,488	(\$200,035)
School Capital Fund	1,200,000	1,200,000
County Capital Fund	2,500,000	2,500,000
Total	\$126,427,899	(\$479,265)

As the above table shows, (\$1,604,089) is the proposed decrease for school operations, school debt service, and school CIP. Primarily the decrease is in operations, as the School System is working with decreasing revenues from the state. The Special Revenue proposed increase of \$41,390 and is mostly attributable to the E911 Fund increase in maintenance costs for the radio system and various other contracts related to E911 services. The proposed General Government Operations is decreasing by \$1,216,531; much of the decrease is attributable to the proposed reductions in staffing of full time employees.



GENERAL GOVERNMENT

Employee Compensation

The Board seeks to maintain a competitive compensation program to attract, retain and motivate qualified employees. During fiscal year 2006, the Board adopted the Palmer and Cay study for employee salaries and benefits performed in 2003. Through fiscal year 2007 efforts were made to bring employees to the midpoints of their respective positions. The fiscal year 2011 budget includes the fourth year of an evaluation process whereby employees' raises are based on a 36 month rolling average of the CPI, plus a pay for performance system. However, due to the economic situation as it stands, the adopted budget for fiscal year 2011 does not include any CPI or pay for performance raises for any employees. This is the third year employees will not be receiving raises. Further, this budget includes the elimination of the Risk Management Department and the reduction of staffing in the Departments Animal Services, Parks & Recreation and the Library.

The method described above does not include the School System or the Department of Human Services.

Employee Health Insurance

Funding has remained level for the amount of premiums the County will offset for the Employee health insurance coverage. The primary reason for leaving the premium amounts level, was based on information received from the County's Insurance Consultant. For this upcoming plan year, the County has gone out to bid for health insurance proposals. The proposals as of yet have not been reviewed, but based on the consultant's review of prior claims data, we are hopeful that by offering only a high

deductible HMO product and a H S A product, we will be able to maintain level funding for employee premiums.

New Positions

The proposed fiscal year 2011 Budget does not include any new full time positions in any portion of the budget, rather this budget proposes the reduction of 4 employees in the Animal Services Department from full time to part time; 1 full time employee in the Risk Management Department; 2 full time employees in the Parks and Recreation Department; 12 part time employees in the Library.

GENERAL GOVERNMENT ADMINISTRATION

As previously stated, due to the economic situation no department or constitutional office budget is substantially increasing, and in most cases department budgets are decreasing due to across the board reductions in spending and the hiring freeze implemented in January 2008.

SPECIAL REVENUE FUNDS

Special Revenue Funds include Piedmont Tech, Human Services Fund, and E-911 Fund. The proposed Special Revenue Funds total \$ 12,040,941, which represents an increase of \$41,390 or .34 percent from the current fiscal year.

Piedmont Tech Fund - For fiscal year 2011, the budget includes funding of \$49,800 for this building. The expenditures for these buildings include utilities and maintenance.

Human Services Fund - The Human Services Department totals \$9,856,429 and is primarily State and federal aid to Social Services programs with matching funds of \$1,288,636 from the County. In addition to the operations of the Social Services Department, this fund also accounts for the operations of the Day Care center, as well as various grants.

The Department has implemented a Strategic Planning Process. The Department plans to improve operational effectiveness by reducing the need for local fund expenditures and increasing Federal/State revenue and reimbursement. In addition, the Department will work toward improving productivity and meeting information needs more efficiently through automated information systems. The Department will continue its prior partnership with the Chamber of Commerce in providing opportunities to move clients toward self-sufficiency; through increased responsibilities, better paying jobs and specialized training.

The Services Unit will continue to work to ensure that the children and adults of Culpeper County are protected against abuse, neglect and/or exploitation. It will also work diligently to ensure that family units remain intact by promoting family preservation services. The Unit will be reorganized to better serve the community.

The Eligibility Unit will strive to ensure that the citizens' tax dollars are not misspent, while it continues to assist all residents to meet basic financial needs and attain economic security. The Fraud Worker will aggressively investigate and pursue all program violations and strive to increase collections.

The Culpeper Career Resource Center will promote greater community involvement in the work of the Center and plans to increase participation through newspaper articles, newsletters, seminars and meetings.

E911 Fund - The budget is \$2,134,712 the revenue generated by the E911 tax is not sufficient to fund the program without the County appropriating \$751,180 and the Town appropriating \$242,728 to fully fund the program.

ENTERPRISE FUNDS

Airport Operations - The budget totals \$1,406,223, and includes the debt service for the hangars purchased by the County as well as any capital projects for fiscal year 2011. As stated above, the project proposed for fiscal year 2011 is environmental assessment.

Landfill - The budget recommended for next fiscal year is \$1,702,424. The budget reflects costs for the solid waste transfer, hauling and disposal by our contractor. Also included are funds for hauling services from County solid waste convenience sites. Again, as previously stated, there are no capital improvements related to the landfill contemplated in the proposed fiscal year 2011 budget.

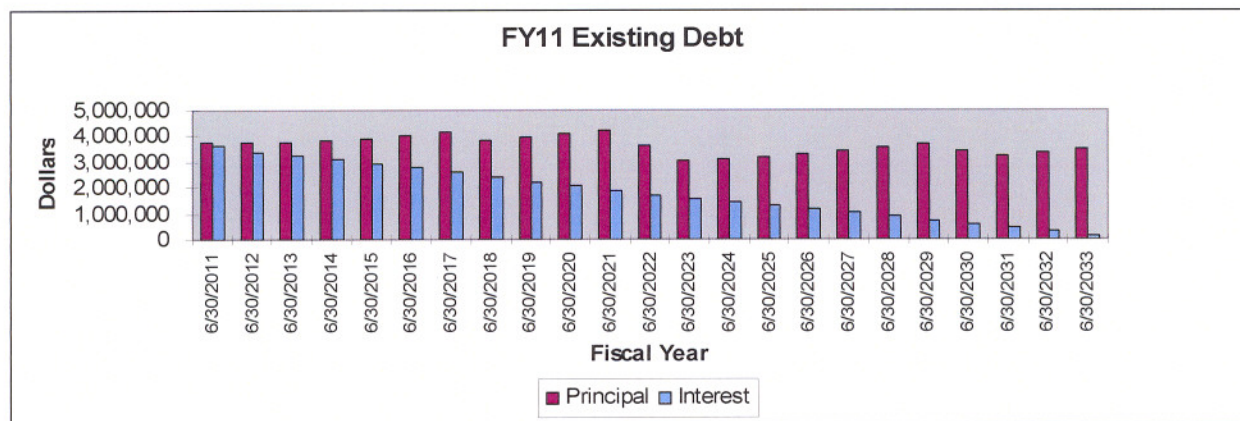
Water and Sewer - The budget totals \$1,223,841. Included are funds for engineering services, wastewater consulting and capital expenditures for the purchase of an Automated Meter Reading System.

COMPONENT UNIT SCHOOL FUNDS

The contribution to the Culpeper County Public School System, which includes funding for ongoing operations, CIP and debt service for school facilities, is \$37,599,180. This represents 29.74 percent of the County's proposed General Fund budget, and is a 3.19 percent decrease from the fiscal year 2010 contribution of \$38,837,062. The Culpeper County Public School budget can be found at www.culpeperschools.org.

SCHOOL DEBT SERVICE

The total School Debt Service budget for FY2011 is \$ 7,717,836, which is a decrease of \$137,782 from the current fiscal year. The decrease is attributable to the final payment of an old bond, dated 1994. Following is a table of existing debt service payments and a "snap-shot" of principal and interest for FY11.



	FY09 Actual	FY10 Adopted	FY11 Proposed
Principal	4,019,099	4,285,846	4,047,852
Interest	4,043,296	3,569,772	3,669,984
Total	8,062,395	7,855,618	7,717,836

CAPITAL PROJECTS

The adopted fiscal year 2011 budget includes \$1,200,000 for school capital projects for two (2) school projects, an upgrade to the CCHS central plant, preparing for the future conversion from a “two pipe” system to a “four pipe” system. This project is expected to cost approximately \$1,075,000 and will be funded from proffer revenue previously received by the County to be used for School related projects. The second project is replacement of seats in the CCHS auditorium. It is hopeful this project can be completed for approximately \$125,000. At this time there are no expected increases to current operating costs for these two (2) projects.

Included in the adopted fiscal year 2011 budget is \$2,500,000 for General Government Projects. \$1,000,000 of the county capital projects involves revenue sharing projects with the Virginia Department of Transportation (VDOT) for highway projects. In subsequent years, there will not be any operating costs associated with these capital costs, as once roads are completed in counties within the Commonwealth of Virginia, they are turned over to the Commonwealth for maintenance. The additional \$1,500,000 is for a library expansion. The funding for this project will come from donations that the Friends of the Library may raise.

The five year Capital Improvements Plan, for FY11 – FY15 will be officially adopted by the Board of Supervisors on April 27, 2010. This document process has become more aligned with the budget process, allowing the first year of the CIP to show the exact projects as adopted and appropriated by the Board of Supervisors in the budget process.

CHANGES IN FUND BALANCE

Included in the proposed fiscal year 2011 budget is a decrease in the General Fund balance. This decrease is expected to be \$3,719,000. The use of the fund balance will be primarily for school operations, to prevent furloughs for full time county and school employees, and for the County's share for the VDOT revenue sharing program. During these economic conditions, it is not advisable to raise real estate taxes to make up for loss of revenue, such as the Commonwealth of Virginia reductions.

The County's adopted fiscal policies include a section regarding fund balance. The County's policy is to maintain 10-15% of its operating budget in the unreserved fund balance for operations. Since the total operations portion of the budget is reducing from previous years, using this amount of fund balance to offset expenditures allows the County to stay within its policy.

GFOA DISTINGUISHED BUDGET AWARD

The Government Finance Officers Association of the United States and Canada (GFOA), a national organization each year recognizes budgets that meet certain rigorous standards. GFOA presented an Award of Distinguished Budget Presentation to Culpeper County for its annual budget for the fiscal year beginning July 1, 2009. To achieve this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide and as a communications medium. The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for the award.

I would like to thank our staff for their many hours of hard work and their contribution to the development of this budget. The input of the Board of Supervisors is essential in establishing priorities and is appreciated.

Sincerely,



Frank Bossio
County Administrator